Operation and Maintenance, Navy

FY 2011 Budget Overview

FY2010 Supplemental and FY 2011 OCO Request

ASMC PDI, ORLANDO, FL
June 2, 2010

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OASN(FM&C)
Office of Budget

OVERVIEW

- Snapshot of FY 2011 DoN Baseline Budget Request
- Summary of FY 2010 to FY 2011 Price and Program Changes
- Overview of OMN BA 1 Operating Forces Profile
- Review of Baseline and OCO Readiness Programs
- Review of Baseline and OCO Support Programs
- FY 2010 and FY 2011 OCO and Supplemental Summary
- First Look at POM-12 and Beyond

FY 2011 Budget Breakout

MilPers: $45.1B

Basic Pays	$18.1
Housing Allowance	$7.0
Retired Pay Accrual	$5.9
Health Accrual	$3.3
Reserve Personnel	$2.6
Special Pays	$2.4
Subsistence	$2.0
Allowances	$1.0
Other	$3.0

Navy Strength 324,400
Marine Corps 202,100 (328,700 w/ OCO)

O&M: $46.2B

Ship Ops	$11.0
Base Support	$7.2
Aviation Ops	$6.3
Marine Corps O&M	$5.6
Combat/Weapons Support	$5.5
Service Wide Support	$4.6
Training and Education	$3.3
Reserve O&M	$1.7
Environmental Restoration	$0.3

Prevail in Current Conflicts

Total FY11 $160.6B

Infrastructure: $5.0B

MILCON	$3.9
BRAC	$0.5
Family Housing	$0.6

Sustaining the Institution

Procurement: $46.6B

Aircraft	$18.5
Ships	$16.1
Weapons Procurement	$3.4
Marine Corps Procurement	$1.3
Ammunition Procurement	$0
Other Navy Procurement	$6

Balanced Investment

R&D: $17.7B

Basic Research	$0.6
Applied Research	$0.7
Advance Tech Dev	$0.7
Adv Component Dev	$3.9
System Dev & Demo	$6.9
Management Support	$0.8
Ops System Dev	$4.1

Transitioning to Procurement

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Operation and Maintenance, Navy

Price and Program Changes

Item	FY 2009	FY 2010	Price	Program	FY 2011 Baseline	FY 2011 OCO	Total FY 2011 Request
BA1	$26,922	$26,763	$1,231	$1,550	$29,544	$8,116	$37,660
BA2	$517	$652	$33	$21	$707	$32	$738
BA3	$2,155	$2,918	$169	$181	$3,268	$87	$3,355
BA4	$4,369	$4,337	$31	$247	$4,616	$458	$5,073
Total	$33,963	$34,671	$1,464	$1,999	$38,134	$8,692	$46,826

"Our FY2011 O&M request is tightly focused on supporting ongoing, increased, operations; on properly sustaining our ships and aircraft so they reach their expected service life; on funding enduring aviation readiness requirements in the base budget; and on funding price increases, most notably in fuel."

"Together, our OCO and base budget O&M requests reflect our commitment to resource current operations while preserving our Fleet for future operations. I ask for your full support of this year's O&M request."

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O&M,N: Budget Activity 1 – Operating Forces

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$26,922**	**$26,763**	**$29,544**
Air Operations	3,467	3,708	4,430
Air Depot Maintenance	1,119	1,087	1,221
Ship Operations	2,999	3,284	3,697
Ship Depot Maintenance	4,139	4,264	4,762
Other Operations	3,558	2,634	2,678
Combat Operations Support	2,982	2,937	3,349
Weapons Support	1,962	2,077	2,184
Base Operations	6,697	6,773	7,224
Overseas Contingency Operations	**$5,376**	**$7,245**	**$8,116**
Total	**$32,298**	**$34,008**	**$37,660**

- +$1,216M baseline inflation
- +$1,550M net increase for baseline program
- Funds the Navy's air operations, ship operations, combat operations/support, and weapons support programs.
  - Navy shore bases to support these missions.
  - Maintains combat ready forces to respond to national objectives.

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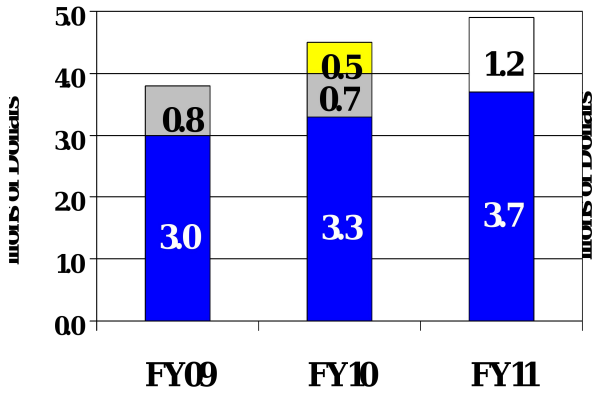
Baseline Readiness Assumptions - Context

Budgeted O&M Trends

Ship Operations

58 days/qtr deployed

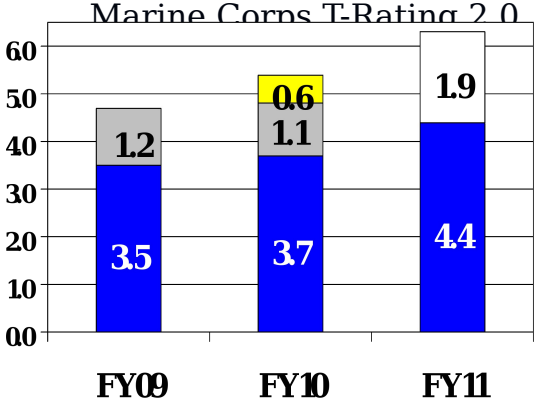
24 days/qtr non-deployed



Flying Hour Operation

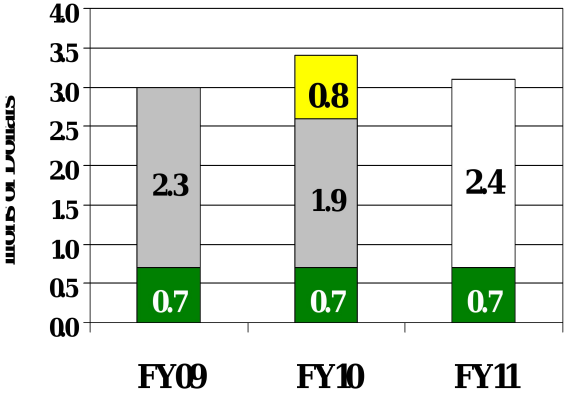
Navy T-Rating 2.5

Marine Corps T-Rating 2.0



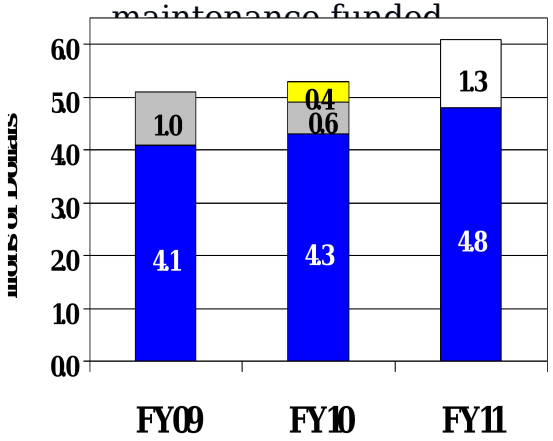
Marine Corps Operations

3 Active Marine Expeditionary Forces (MEF) & 27 Active Infantry Battalions



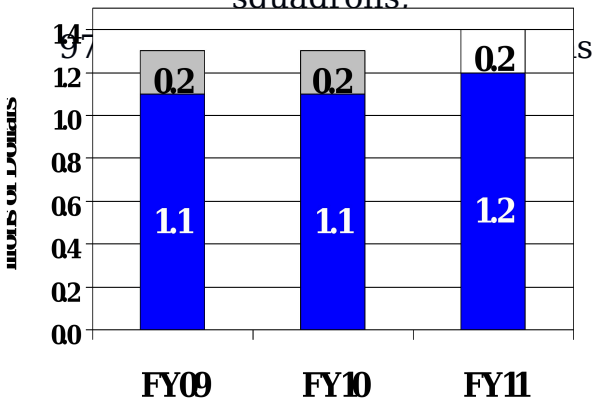
Ship Depot Maintenance

99% of projected maintenance funded



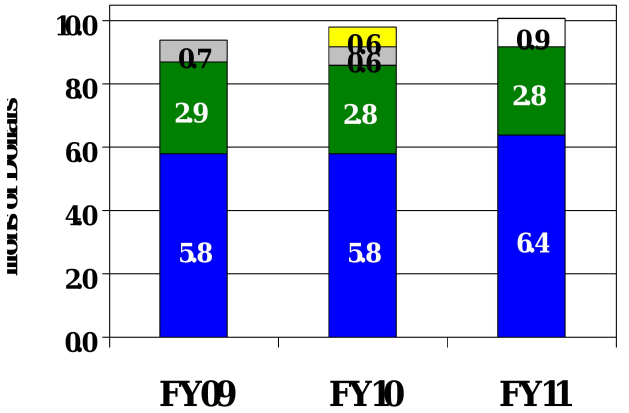
Aircraft Depot Maintenance

100% of PAA goal for deployed squadrons.



Base Support

92% of facility sustainment model, BOS at targeted capability levels



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USN | USMC | OCO | Supplemental

BOS – Base Operating Support
PAA – Primary Aircraft Authorized

Flying Hours

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$3,467**	**$3,708**	**$4,430**
Overseas Contingency Operations	**$1,159**	**$1,700**	**$1,843**
Total	**$4,626**	**$5,408**	**$6,273**

- +$423M baseline inflation ($354M in fuel price increase)
- +$299M net increase for baseline programs
  - Funds enduring Navy T2.5 T-rating requirement in Base budget (increase from T2.8 FY10 enacted level); USMC remains steady at T-2.0
  - Net increase of 25,416 flying hours; Navy F/A-18s, P-3C, EA-6B/EA-18G, H-1 series, KC-130J, MV-22 (+$299M)
    - Includes +8,730 Marine Corps hours (+9 acft, +3 squadrons with Grow the Force)
  - Takes additional risk in Fleet Air Support hours
  - OCO funds CENTCOM incremental OPTEMPO above 80% T&R

Metrics	FY 2009	FY 2010	FY 2011
Navy T-Rating (Goal T-2.5)	T-2.6	T-2.8	T-2.5
USMC T-Rating (Goal T-2.0)	T-2.2	T-2.0	T-2.0

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Aircraft Depot Maintenance

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$1,119**	**$1,087**	**$1,221**
Aircraft	597	566	510
Engines	363	310	448
Components	159	211	263
Overseas Contingency Operations	**$195**	**$159**	**$233**
Total	**$1,314**	**$1,246**	**$1,454**

- +$6M baseline inflation
- +$129M net increase for baseline programs
  - Airframes: Net decrease of 39 inductions (-$59M)
  - Engines: Net increase of 504 inductions (+$137M) (+172M - $35M Congressional Add in FY10)
  - Components: Net increase associated with the ramp up of the Joint Strike Fighter (JSF) program, and V-22 and KC-130J Power by the hour. (+$51M)

Metrics	FY 2009	FY 2010	FY 2011
Airframes - Active Forces			
Deployed Squadrons meeting goal of 100% PAA	100%	100%	100%
Non-Deployed Squadrons meeting goal of 90% PAA	100%	97%	97%
Engines - Active Forces			
Engine TMS meeting Zero Bare Firewall goal	100%	100%	100%
Engine TMS meeting RFI Spares goal of 90%	88%	79%	94%

Ship Operations

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$2,999**	**$3,284**	**$3,697**
Overseas Contingency Operations	**$802**	**$1,139**	**$1,151**
Total	**$3,801**	**$4,423**	**$4,848**

- +$404M baseline inflation (+$321M in fuel price increase)
- +$8M net increase for baseline programs
  - Net increase for MSC T-AKE 9/10/11 (+$36M)
  - Net increase for nuclear material recovery costs (+$15M)
  - Net decrease for consumables, repair parts, and administration (-$44M)
  - OCO will provide for 58/24 days deployed/non-deployed

Metrics (Base +OCO)	FY 2009	FY 2010	FY 2011
Deployed	57	58	58
Non-deployed	24	24	24
SR/SO/SX	100%	100%	100%

Ship Maintenance

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	$4,139	$4,264	$4,762
Overseas Contingency Operations	$991	$1,002	$1,267
Total	$5,130	$5,266	$6,029

- +$70M baseline inflation
- +$428M Net Program Change
  - Increase in number (+2) and scope of Selected Restricted Availabilities (+$176M)
  - Realignment of the repair portion of the SSBN Engineered Refueling Overhauls (ERO's) from SCN to OMN (+$120M)
  - Increases in the scope and an accelerated schedule for CVN-75 Drydocking Planned Incremental Availability (+$137M)

Metrics (Base +OCO)	FY 2009	FY 2010	FY 2011
CNO Scheduled Availability	89	73	85
Percent Requirement Funded	99%	97%	99%

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Baseline Readiness Assumptions – Context

PB10, PB11 Metrics

	EY 2010	EY 2011
Flying Hours (Navy/USMC)		
Base	T-2.8/T-2.0	T-2.5/T-2.0
Base +OCO	T-2.5/T-2.0	T-2.5/T-2.0
Ship Operations (Deployed/Non-Deployed)		
Base	45/20	45/20
Base +OCO	58/24	58/24
Aircraft Depot Maintenance (% of Requirement)		
Base	79%	86%
Base +OCO	89%	96%
Ship Maintenance (% of Requirement)		
Base	78%	79%
Base +OCO	96%	99%
NECC		
Base	40%	74%
Base +OCO	66%	94%

Combat Operations Support

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$2,982**	**$2,937**	**$3,349**
Overseas Contingency Operations	**$1,552**	**$2,511**	**$2,902**
Total	**$4,534**	**$5,448**	**$6,251**

- +$67M baseline inflation
- +$345M net increase for baseline programs
  - Increase in Combat Support Forces (+$307M)
    - NECC readiness requirements, equipment sustainment
    - Base unit level training, Integrated training and certification of forces prior to deploying
    - Organic maintenance and a portion of Integrated Logistics Overhaul (ILO)
  - Increase in Combatant Commander (COCOM) support (+$48M)
    - Africa Partnership Station

Weapons Support

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$1,962**	**$2,077**	**$2,184**
Overseas Contingency Operations	**$187**	**$171**	**$199**
Total	**$2,148**	**$2,248**	**$2,383**

- +$37M baseline inflation
- +$70M net increase for baseline programs
  - Explosive Ordnance (EOD) program ($21M)
  - Other Weapons Systems Support ($39M)
    - Includes $21M realignment from 4C0P (Security Programs)
  - Missile/Weapon Maintenance and Logistics support ($14M)

Base Operating Support

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$4,043**	**$4,009**	**$4,503**
Overseas Contingency Operations	**$321**	**$457**	**$382**
Total	**$4,364**	**$4,466**	**$4,885**

- Common Output Levels maintained at FY10 levels
- +$155M baseline inflation
- +$338M net increase for baseline programs
  - Joint Base transfers for Pearl Harbor – Hickam, Anacostia – Bolling, San Antonio, and Charleston (+$81M)
  - OCO to baseline transfer for Regional/Installation Operations Centers (+$50M)
  - Energy initiatives to meet Energy Independence & Security Act & other DON initiatives (+$37M)
  - Four additional Child Development Centers (+$9M)
  - Additional collateral equipment for MILCON and barracks renovation projects (+$31M)
  - Increased student throughput and other education program improvements (+$18M)
  - Improvements to facility management programs (+$112M)

Facility Sustainment, Restoration and Modernization

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$1,744**	**$1,726**	**$1,900**
Sustainment (OSD goal is 90%)	83%	93%	92%
Recapitalization	50 years	89%	60%
Overseas Contingency Operations	**$27**	**$11**	**$28**
Total	**$1,771**	**$1,737**	**$1,928**

- +$20M baseline inflation
- +$154M net increase for baseline programs
  - Joint Base transfers for Pearl Harbor – Hickam, Anacostia – Bolling, San Antonio, and Charleston (+$19M)
  - Energy initiatives to meet Energy Independence & Security Act & other DON initiatives (+$74M)
  - Additional facility sustainment funding to meet OSD FSM goal (+ $52M)

Base Support – Enterprise Information Technology (BSIT)

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	$910	$1,038	$821
Overseas Contingency Operations	$14	$0	$10
Total	$924	$1,038	$831

- +$11M baseline inflation
- -$229M net decrease for baseline programs
  - Transition from Navy Marine Corps Intranet (NMCI) to Next Generation Enterprise Network (NGEN) (-$224M)

O&M,N: Budget Activity 2 – Mobilization

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$517**	**$652**	**$707**
Ship Prepositioning and Surge	352	401	424
Activations/Inactivations	110	200	185
Mobilization Preparedness	55	52	98
Overseas Contingency Operations*	**$18**	**$35**	**$32**
Total	**$535**	**$687**	**$739**

- +$33M baseline inflation
- +$21M net increase for baseline programs
  - Activations/Inactivations (-$17M)
  - Mobilization Preparedness (+$45M)

* FY 09, 10 and 11 OCO exclude USCG $242M; $242M; and $255M respectively.

O&M,N: Budget Activity 3 – Training and Recruiting

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$2,155**	**$2,918**	**$3,268**
Accession Training	276	287	295
Basic Skills & Advanced Training	1,318	2,073	2,405
Recruiting/Other Training	561	558	567
Overseas Contingency Operations	**$104**	**$191**	**$87**
Total	**$2,259**	**$3,109**	**$3,355**

- +$169M baseline inflation
- +$181M net increase for baseline programs
  - Increase for Fleet Replacement Squadron (FRS) (+$93M)
  - Increase for transition of training aircraft from analog to digital cockpits plus additional repair parts and associated maintenance support (+$53M)
  - Increase for DDG 1000 Initial Crew Training (+$16M)

O&M,N: Budget Activity 4 – Admin & Service-Wide Support

Item	FY 2009	FY 2010	FY 2011
Baseline Funding	**$4,369**	**$4,337**	**$4,616**
Service-Wide Support	1,760	1,790	1,936
Logistics Ops & Technical Support	1,514	1,415	1,510
Investigations & Security	1,084	1,126	1,164
International Headquarters & Agency	11	6	6
Overseas Contingency Operations	**$387**	**$319**	**$458**
Total	**$4,756**	**$4,656**	**$5,073**

- +$30M baseline inflation
- +$248M net increase for baseline programs
  - Increase in Service-Wide Support (+$107M)
  - Increase for Joint Tactical Radio System (JTRS) Network Enterprise Domain (NED) sustainment directed by OSD (+$41M)
  - Increase in Logistics Ops & Tech Support (+$79M)
  - Increase in Investigations & Security (+$21M)

Sustained OPTEMPO

	FY 09 Actual OCO	FY 09 OCO Infl to FY 2010	FY 2010 OCO Req	FY 09 OCO Infl to FY 2011	FY 2011 OCO Req
Air Ops	1,546	1,557	1,696	1,735	1,840
Air Depot	195	196	159	197	233
Ship Ops	1,080	1,088	1,139	1,326	1,151
Ship Maint	1,003	1,021	1,002	1,038	1,267
Other Ops	2,358	2,386	3,249	2,434	3,625
Mobilization	33	33	35	34	32
Training	104	105	191	111	87
Administration	387	393	319	396	458
Total O&M,N	**6,705**	**6,780**	**7,790**	**7,271**	**8,692**
Baseline Fuel			(490)		
OEFA Surge *less unfunded Navy OEFA execution*		935		1,361	
Total O&M,N		**7,715**	**7,300**	**8,632**	**8,692**

- $455M shortfall in FY10 will require baseline mitigations similar to FY09, but of smaller magnitude
- Additional FY10 fuel price shortfall, not depicted above, of ~$260M
- FY11 reflects full-year cost of surge, and other minor increases/ decreases

Does not include Coast Guard Funding

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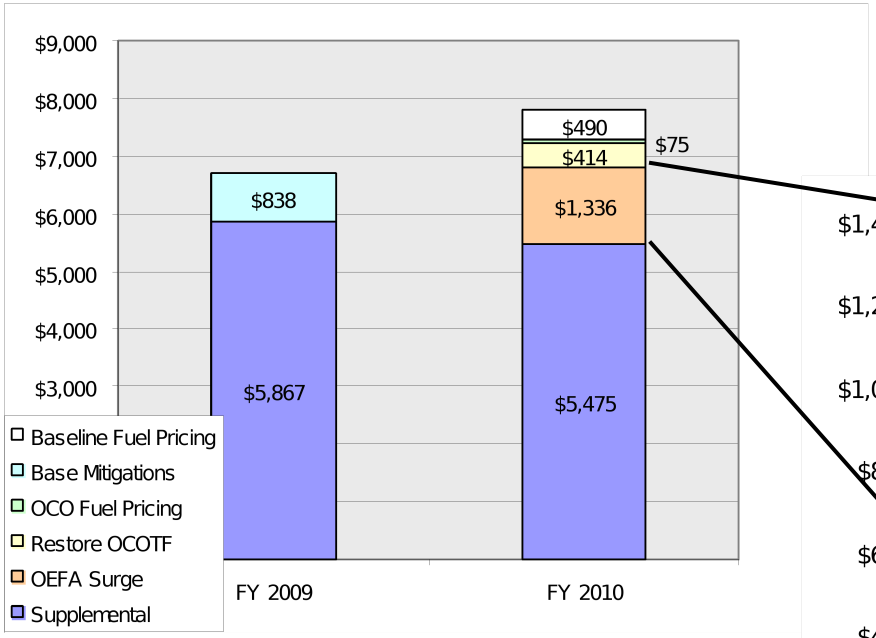
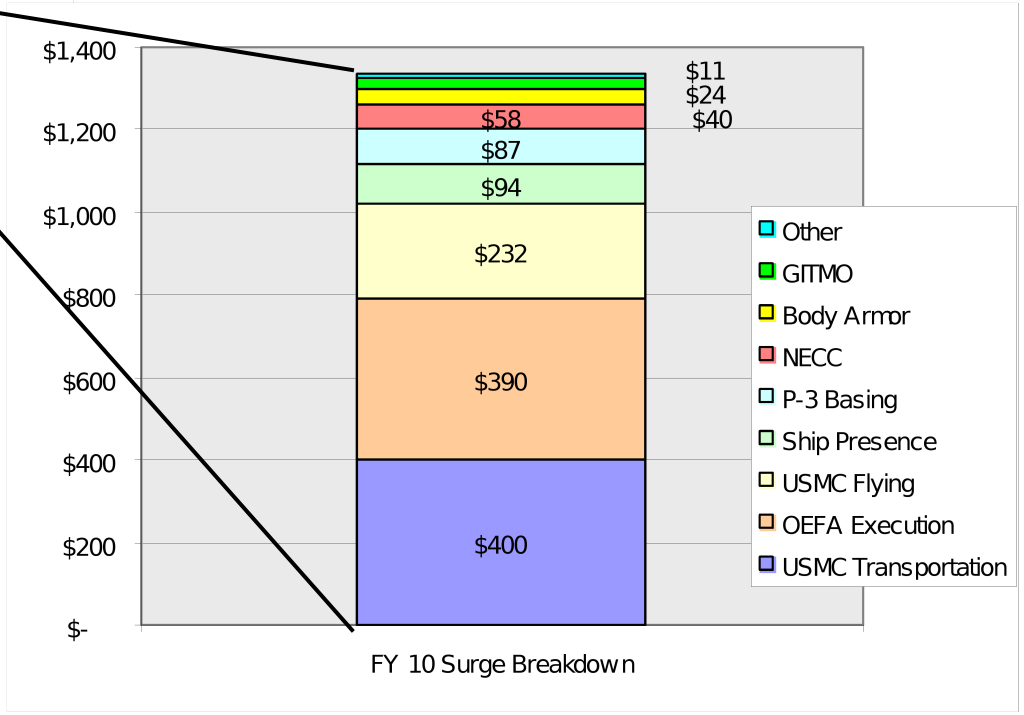
Navy OCO Funding – FY09 to FY10



FY 10 Surge Cost Breakdown



FY10 Supplemental

- Support the Surge
- OEFA execution
- OCOTF (Ship Maint)
- Fuel Price Increase

Does not include Coast Guard Funding

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Funding Overview

	FY09	FY10	FY11
OMN			
Navy			
Funds Received	5,867.4	5,475.9	
Funds Requested		2,314.1	8,692.2
Total	**5,867.4**	**7,790.0**	**8,692.2**
Coast Guard			
Funds Received		241.5	
Funds Requested			254.5
Total	**-**	**241.5**	**254.5**
Grand Total	**5,867.4**	**8,031.5**	**8,946.6**
OMNR			
Funds Received	71.7	68.1	
Funds Requested		61.8	93.6
Total	**71.7**	**129.9**	**93.6**

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OCO and Supplemental Summary

- FY09/10 planning assumptions have not captured operational realities
- FY10 Supplemental and FY11 OCO Requests:
  - Based on known/demonstrated COCOM demand
  - Strong support from Navy leadership / JS / OSD / OMB
- Risk Remains
  - FY10 – Fuel Price Increase, OPTEMPO, Out of cycle RFF's
  - FY11 – Out of cycle RFF's

FY 2012 DON Focus Areas

- Zero real growth across the FYDP
- Achieve a balanced and executable program
  - Priorities
  - Tradeoffs
  - Risks
- Energy Initiatives
- OCO to Base Migrations
- Afloat Readiness at PB 11 levels in Base
  - Metrics comply with OSD guidance
- Find efficiencies in shore organizations

FY 2012 and Beyond Path Forward

1. **Baseline vs. OCO funding split and OCO to Base discussion**
   - POM Development:
     - Consistent with Fiscal Guidance and past DoN leadership statements, fund FY12 Flight Hour Program to T2.5/T2.0 in base
     - Ship and USMC Maintenance funding level:
       - OSD metric expectation: "Current Readiness"
   - Fall Review:
     - Engage in Reset Strategic Review to characterize outyear funding of enduring ship and USMC maintenance, "new normal."
     - Ongoing N81 "new normal" OPTEMPO analysis will inform discussion

2. **FY12 OCO Readiness funding level**
   - DoN FY12 OCO Guidance (BG10-1K): 17 May
   - FMB engage OSD as necessary when developing FY12 OCO submission to properly resource forecast OCO execution

3. **USMC Operating Forces in Dwell**
   - Continue $500M per year beyond FY15 until requirement is satisfied
   - Reengage with OSD/OMB for modification of OCO rule set to allow for Operating Forces in Dwell (home station) equipment backfill